



Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
Telecommunications Device for the Deaf - (916) 326-3240
(916) 795-0900, FAX (916) 795-4023

February 10, 2006

AGENDA ITEM 4

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Draft Management Letter for the Year ending June 30, 2005
- II. PROGRAM:** Audit Services
- III. RECOMMENDATION:** Staff requests that the Finance Committee recommend to the Board of Administration acceptance of the draft management letter, as prepared by Deloitte & Touche, LLP for the year ending June 30, 2005.
- IV. ANALYSIS:**

The Board of Administration's independent financial statement auditor, Deloitte & Touche LLP, completed its audit of CalPERS' Financial Statement for the Year Ended June 30, 2005 as required in Section 20228 of the Government Code. The Board of Administration approved the basic financial statements on November 16, 2005. In connection with the audit of the financial statements, Deloitte & Touche LLP prepared a Management Letter that includes observations and recommendations to enhance CalPERS' accounting and administrative internal controls as well as operational processes. A stand alone draft copy of the Management Letter is attached to this agenda item as Attachment A.

Deloitte & Touche LLP has discussed the observations and recommendations in the Management Letter with CalPERS' management who have concurred with the observations and prepared responses to each recommendation in the Management Letter. Management's written responses are incorporated into the Management Letter for discussion purposes, as Attachment B, for the Finance Committee review and comment.

Representatives of Deloitte & Touch, LLP and CalPERS' management will present the Draft Management Letter and answer questions of the Committee members.

Consistent with the Finance Committee's Audit Resolution Policy, the status of the observations in the 2005 Management Letter will be reported quarterly to the Finance Committee until such time as management has satisfactorily resolved each noted observation.

This Management Letter is considered a draft until it's accepted by the Board of Administration and subsequently signed by Deloitte & Touche, LLP. The signed Management Letter will be distributed to the Board of Administration and CalPERS' executive staff and senior management.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan, but it is part of the ongoing work of the Office of Audit Services.

VI. RESULTS/COSTS:

CalPERS' management is responsible for determining the cost benefit of implementing corrective action plans for the observations noted in the Management Letter. These plans should outline measures to resolve the issue, staff responsible for implementing the corrective actions, resource requirements, and timeframe. There is no additional cost for this specific agenda item.

Original signed by Larry Jensen

Larry Jensen, Chief
Office of Audit Services

Original signed by Peter H. Mixon

Peter H. Mixon
General Counsel

Attachments